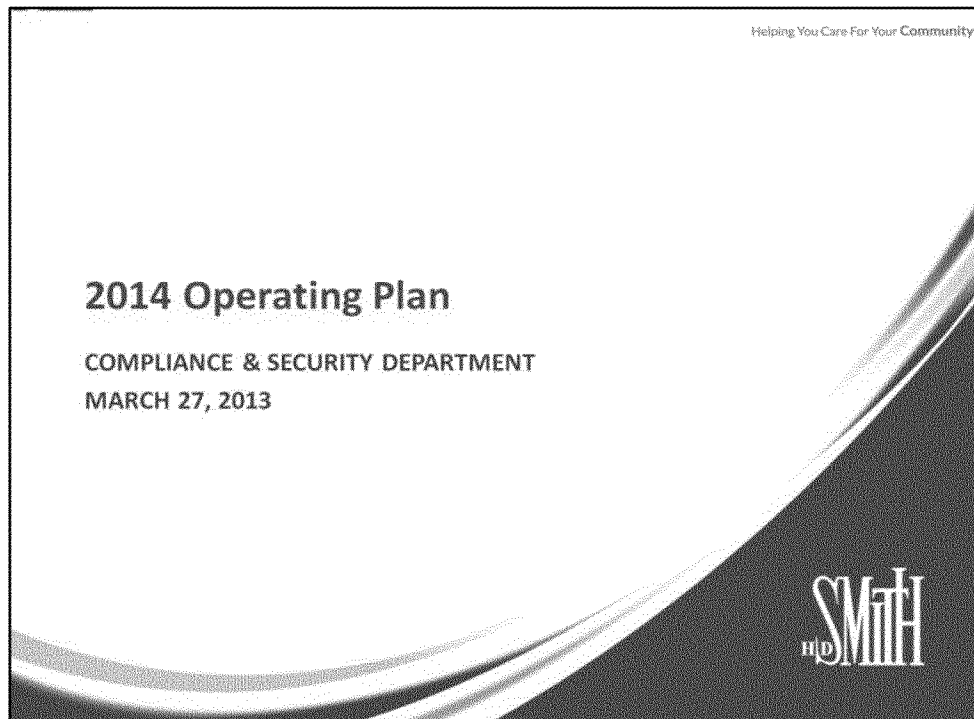



PSJ9 Exh 48



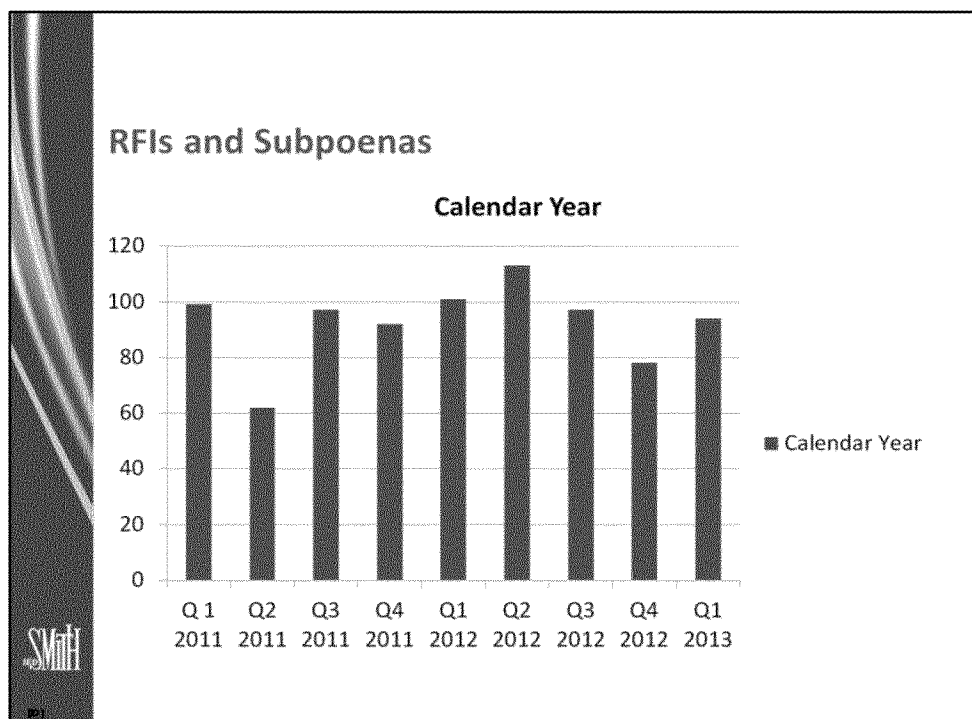
H.D. Smith 2014 Operating Plan Plan Summary Compliance & Security	
<p><u>Situation Analysis / FY 2013 Highlights</u></p> <ul style="list-style-type: none"> •Current regulatory environment and recent enforcement actions by DEA makes it imperative that the Company continues to improve on its compliance objectives. •Regulatory Compliance is key for the Company to avoid sanctions such as Immediate Suspension Orders and fines. •Increased cargo thefts and warehouse burglaries in our industry proves that we must maintain proactive security measures to provide safety for our associates and loss prevention. Criminals are using violence increasingly. 	<p><u>Objectives/Goals and Key Strategy Highlights</u></p> <ul style="list-style-type: none"> •Good faith efforts to prevent diversion of our products. •Good faith efforts to mitigate any regulatory or enforcement actions taken against the Company. •Proactive security measures to ensure associate safety, mitigate product loss and facility damage. •Promote the Brand and protect the Company reputation.
<p><u>Key '14 Initiatives, Performance Drivers, and Actions</u></p> <ul style="list-style-type: none"> •Hire a Risk Manager. •Hire an associate to focus on CA and Federal pedigree initiatives. •Provide training for our customers and prospects. <ul style="list-style-type: none"> •Two (2) hour CE accredited program. •Provide metrics regarding our due diligence investigations •VAWD re-accreditations •New Customer On-Boarding •Division security upgrades 	<p><u>2014 Financial Summary</u></p> <ul style="list-style-type: none"> •'12 TRF = \$825,660 <ul style="list-style-type: none"> •Head Count = 7 •'13 AOP = \$1,326,517 <ul style="list-style-type: none"> •Head Count = 9 •2013 YTD TRF= \$1,282,643 •'14 AOP = \$1,702,420 <ul style="list-style-type: none"> •Head Count = 12



**Compliance & Security
2014 Operating Plan
Situation Analysis**

- Highlights
 - Hired two new Regional Compliance Managers
 - Hired a Compliance Assistant
 - Expanded use of Pro Compliance for prescription data analysis
 - No regulatory actions
 - Safescript case victory
 - KY DEA case dismissed
- Disappointments
 - CSOMP enhancements delayed due to limited IT resources
 - Security upgrades in some of our divisions
- Opportunities and Key Issues
 - Recently we were awarded accreditation for two (2) pharmacist CE credits for a training program that we developed.
 - Opportunity to present to our customers and prospects
 - Continue to liaison with law enforcement and regulatory agencies
 - Continue to be viewed as the leader in Compliance and Due Diligence
 - Work with divisions for new customer On-Boarding
 - Work with divisions regarding security upgrades
 - Continue to assist divisions with VAWD re-accreditations

Compliance & Security 2014 Operating Plan SWOT Analysis Summary			
Strengths		Weaknesses	
<ul style="list-style-type: none"> •Experienced personnel •Experienced trainers •Good reputation with regulatory agencies •Good working relationship with divisional operations •Technology <ul style="list-style-type: none"> •Sugar •Pro Compliance •Upper management support •Successful VAWD Accreditations 		<ul style="list-style-type: none"> •Working relationship with sales •Technology <ul style="list-style-type: none"> •CSOMP enhancements needed •Perceived lack of support with division management •Lacking in personnel resources <ul style="list-style-type: none"> •Security •Risk •Safety •Pedigree •CSOMP program not fully compliant with DEA standards. 	
Opportunities		Threats	
<ul style="list-style-type: none"> •Hire an experienced Risk Manager •Hire dedicated Pedigree person •Develop stronger relationships with regulatory agencies •Provide additional training to sales and divisional management •Develop trust between Compliance and the divisions •Enhance the CSOMP program •CE Credit Pharmacist training •Divisional on-boarding process •Use of SLS for licensing services 		<ul style="list-style-type: none"> •Budget cuts <ul style="list-style-type: none"> •Ability to hire Risk Manager •Pedigree Associate •Natural disasters •Regulatory actions 	



Reduce to bullets – put details in notes

CSOMP/Due Diligence Comments

- Number of CSOMP hits have gone up in the past year by 36%
 - We have been seeing a shift in the geographical areas that have shown patterns of drug abuse. While Florida had been the hot-spot for Oxycodone abuse, we have seen a dramatic shift to the northeast, including Staten Island, Bronx, Long Island and the Philadelphia area.
 - As Oxycodone was becoming more difficult to obtain in Florida, we saw a migration up the I-75 corridor into Georgia, Tennessee and Kentucky.
 - The Houston, TX market is still an area of high drug abuse.
 - California continues to lead the nation in quantity of Hydrocodone prescribed.
- Reports to DEA have dramatically increased by 276% in the past year.
 - Based on recent reports of SOM reporting from the Cardinal and Walgreen's FL cases and our own Safescript case we are going to continue to report suspicious orders at an increased pace.
 - DEA is using lack of suspicious order reporting as a basis to take action against wholesalers.
- Investigations have increased by 36% in the past year.
 - We added two (2) Regional Compliance Managers in Q3 CY 2011, and another two (2) in Q3 2012. This would lead us to expect an increase in investigations.
 - With the addition of our Analyst in Q2 CY 2011 we initiated more investigations into SmartSource, Houston and Florida accounts as they were opened.
 - Q1 CY 2011 is an anomaly. In March 2011 we restricted all retail accounts in FL from purchasing Oxycodone until an investigation was initiated and a site visit conducted. The result of those investigations was the continued restriction of Oxycodone to most accounts, and the eventual closure of dozens of accounts in April & May 2011.
- Site Visits have remained relatively steady.
 - Even though we have hired additional Regional Compliance Managers, our site visits remain at a level pace.
 - We are relying more on dispensing data to make preliminary assessments that many times relieve us of the necessity to conduct site visits.
 - Follow up communications with accounts are most often conducted by phone, email and the use of Webex.
- Restrictions on accounts have increased by 51%, however closures have decreased by .56%.
 - Restrictions outpace closures. Many times Compliance recommends the restriction of certain controlled substances or all controlled substances, and the account remains open to purchase non-controlled Rx.
 - We have made a concerted effort to work with our customers to develop Compliance Action Plans. With increased pressures from regulatory agencies and other wholesaler's restrictions, coupled with education, pharmacies are more willing to work with compliance. We end up with a happy, more compliant customer. A win-win for everyone.

Smith

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Add Q1 FY13 Data

CSOMP/Due Diligence by % of Accounts

Quarter	CSOMP Hits	% of accts	Accounts Reported to DEA	% of accts	Investigations	% of accts	Site Visits	% of accts	Restricted	% of accts	Closed	% of accts	RFI /Subpoena	% of accts	Average Active Accounts
Jan-March 2011	610	16.73%	5	0.14%	209	5.73%	98	2.69%	158	4.33%	18	0.49%	99	2.72%	3646
Apr-June 2011	490	13.44%	3	0.08%	189	5.18%	48	1.32%	28	0.77%	40	1.10%	62	1.70%	3647
July-Sept 2011	556	15.18%	2	0.05%	207	5.65%	37	1.01%	18	0.49%	5	0.14%	97	2.65%	3662
Oct-Dec 2011	574	15.36%	7	0.19%	251	6.71%	54	1.44%	32	0.86%	17	0.45%	92	2.46%	3738
Jan-Mar 2012	479	12.30%	10	0.26%	306	7.86%	67	1.72%	41	1.05%	6	0.15%	101	2.59%	3895
Apr-June 2012	822	15.26%	20	0.37%	233	4.32%	57	1.06%	26	0.48%	11	0.20	113	2.10%	5385
July-Sept 2012	858	15.16%	25	0.44%	338	5.97%	49	0.86%	44	0.78%	3	0.05	97	1.71%	5658
Oct-Dec 2012	877	14.82%	9	0.15%	288	4.87%	29	0.49%	46	0.78%	15	0.25	78	1.32%	5918

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Additional Observations

- **Q4 Calendar Year 2012**
 - CSOMP Hits = 14.82%
 - Reports to DEA = .15%
 - Investigations = 4.87%
 - Investigations can be as little as running COGNOS reports to full investigations that include purchase history reviews, dispensing report reviews and site visits.
 - Site Visits = 0.49%
 - Restricted = 0.78%
 - Closed = .25%
- While these numbers reflect total average number of accounts and not revenue/margin amounts. The number of accounts that Compliance has issues with is extremely low.
- **However, this extremely low percentage of accounts presents an extraordinary risk to the company.**

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Annual Divisional Compliance Audit Scores

Division	2010	2011	2012
Illinois	85%	76%	71%
Texas	99%	96%	95%
SMP	96%	95%	97%
Florida	80%	86%	92%
Kentucky	92%	79%	88%
New Jersey	96%	88%	98%
California	92%	N/A	93%
New Hampshire	84%	93%	95%



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Annual Divisional Compliance Audits


- Audits are conducted by the Compliance Specialist on an annual calendar year basis.
- Quarterly Self Assessments are conducted by the divisions and sent to the Compliance Specialist.
- Most division scores are consistently high and require no further action other than minor follow-up.
- There are a few reoccurring issues in a few of the divisions that require extensive follow-up.
- There appears to be a lack of accountability to the division when deficiencies are discovered.

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**Compliance & Security
2014 Operating Plan
Objectives and Key Strategies / Initiatives Summary**

2014 Objectives Summary	Key 2014 Strategies and Initiatives
<ul style="list-style-type: none"> Investigate accounts for cause, based on CSOMP or other outside information. Investigate our top Oxycodone and Hydrocodone purchasers by division. Develop CSOMP enhancements . Implement training curriculum for pharmacist CE credits that has been developed and approved for accreditation. Continue to develop a "World Class" organization that is viewed as the leader in Compliance. Avoid regulatory actions and enforcements. Strengthen our divisional regulatory compliance. Mitigate the risks inherent with the products we warehouse and deliver by strengthening our physical and personnel security and safety. Compliance On-Boarding strategies. 	<ul style="list-style-type: none"> Work with IT to develop industry standard SOM program to meet DEA requirements. Implement and promote training opportunities for our customers. This will provide CE credits for our customers while expanding their knowledge in the areas of compliance and security. This strategy will also promote the brand, resulting in more satisfied customers with this value added opportunity, and enhance our reputation in the industry, especially with potential customers. Hire a Risk Manager to oversee all facility security, safety, risk and internal investigations. Hire a dedicated Pedigree Associate to spearhead efforts for California and Federal pedigree initiatives. Collaborate with the drug divisions to enhance on-boarding of new customers when certain risk indicators are present.



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<p align="center">Compliance & Security 2014 Operating Plan Summary of Key Action Plans</p>					
Key Strategy or Initiative	Action Plans	Owner/ Accountability	Timing	Investment / Resources/ Financial Impact	Key Cross Functional Dependencies Req'd to Execute
•Hire a Corporate Risk Manager	•Key hire to ensure all areas of operational risk are accounted for.	•George Euson	•Jun '13	•\$90,000/year	•HR
•Pedigree Associate	•Key to staying current with all pedigree initiatives, especially in FL, CA and F Federal.	•George Euson	•Jan '14	•\$50,000/year	•HR
•Customer Training	•Implement CE credit training.	•Bill Stivers	•Jun '13	•N/A	•Division Management
•CSOMP Enhancement	•As IT resources free up we will enhance CSOMP to DEA standards.	•George Euson	•Jan '13	•IT resources	•IT
•Customer On-Boarding	•Corroborate with divisions to identify risk indicators when initiating new accounts	•George Euson	•Jun '13	•N/A	•Division Management/Sales
•Security Upgrades	•Coordinate with divisions regarding security upgrades	•George Euson/Risk Manager	•Jun '13	•Various upgrades needed/will be reflected in division's AOP	•Operation's Managers


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Compliance & Security 2014 Operating Plan Summary of Key Actions to Drive OPUS Value Creation (multiple slides as required)					
OPUS Impact (margin, cost, asset performance)	Key Action Plans	Baseline KPI	2014 Target Performance / KPI	Financial Impact	Timing/Key Milestone
•Sugar CRM •CSOMP enhancements •Regulatory reporting •Ipledge/REMS and related programs •ARCOS •MCA •CSOS	•Using as case management program and needs to integrate w/SAP. Also use Sugar to create metrics for the Compliance Department. •CSOMP enhancements must be made to comply with DEA requirements. •Seamless integration with existing reporting requirements. •Company and customer CSOS ordering capabilities must continue seamlessly with SAP.				

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Compliance & Security
2014 Operating Plan
Human Capital Plan Highlights

- With the promotion of Karyl Brown to Vice President of Purchasing, we need to fill the void in our risk management and pedigree areas. I am proposing the hiring of a Corporate Risk Manager and a person to coordinate pedigree initiative in California and Federal, in addition to Florida pedigree issues.
- 2012:
 - Corporate Director of Compliance & Security
 - Compliance Specialist
 - Compliance Coordinator
 - Compliance Analyst
 - {3} Compliance Investigators
- 2013:
 - Corporate Director of Compliance & Security
 - Corporate Compliance Manager
 - (4) Regional Compliance Managers
 - Corporate Compliance Specialist
 - Corporate Compliance Coordinator
 - Corporate Compliance Analyst
 - Corporate Compliance Assistant
- 2014 proposed
 - Corporate Director of Compliance & Security
 - Corporate Compliance Manager
 - (4) Regional Compliance Managers
 - **Corporate Risk Manager**
 - **Corporate Pedigree Coordinator**
 - Corporate Compliance Specialist
 - Corporate Compliance Coordinator
 - Corporate Compliance Analyst
 - Corporate Compliance Assistant



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Compliance & Security 2014 Operating Plan Summary of Key HR / Organization Development Action Plans					
Key HR Initiative	Action Plans	Accountability	Timing	Investment / Resources / Financial Impact	Key Cross Functional Dependencies Req'd to Execute
•Hire Corporate Risk Manager	•Key hire to ensure all areas of operational risk are accounted for.	•George Euson	•Jun '13	•\$90,000/ year	•HR/Divisions
•Hire Pedigree Associate	•Key to staying current with all pedigree initiatives, especially in FL, CA and Federal.	•George Euson	•Jan '14	•\$50,000/ year	•HR/Divisions

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Compliance & Security 2014 Operating Plan Financial Summary						
	<u>2012A</u>	<u>2013P</u>	<u>2013F</u>	<u>2014P</u>	<u>% I (D)</u> <u>'13F/'12A</u>	<u>% I (D)</u> <u>'14P/'13F</u>
Cost Category:						
Salaries & Benefits	\$589,069	\$957,417	\$912,218	\$1,167,820	54.86%	28.02%%
Professional Svc	\$48,905	\$72,000	\$112,661	\$158,400	130.37%	40.60%
Other Major Categories:	\$156,456	\$252,100	\$257,764	\$376,200	64.75%	45.95%
Total	\$825,660	\$1,326,517	\$1,282,643	\$1,702,420	55.35%	32.73%%
% Gross Margin						
Headcount	7	9	10	12		

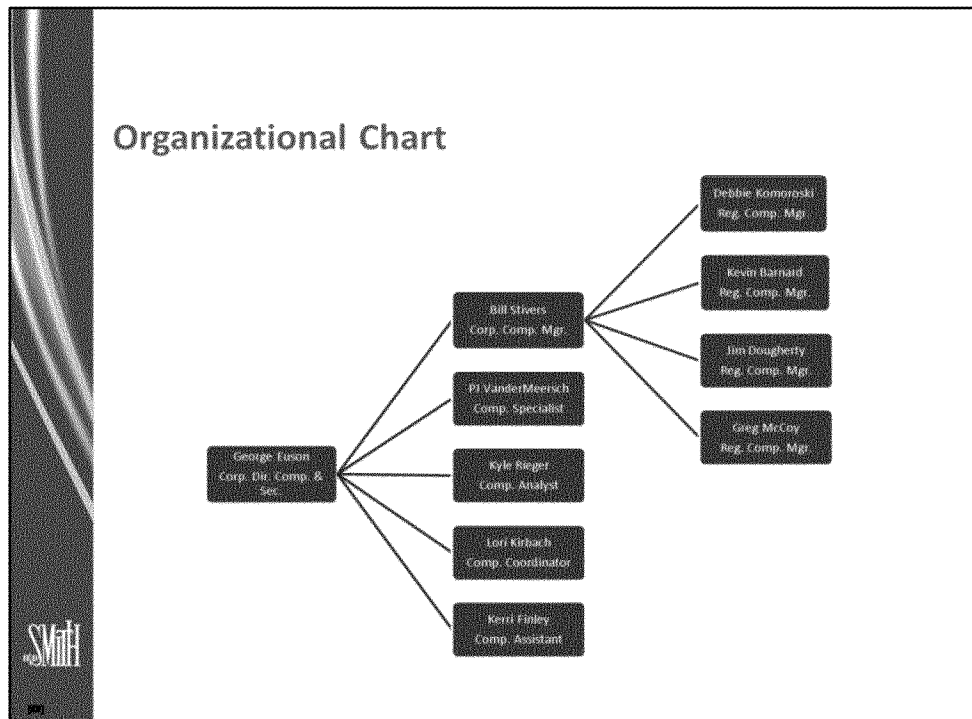


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Compliance & Security 2014 Operating Plan Contingencies (Highlights of Plan Upsides and Risks, Events Outside of 2014 Plan Financials)			
<u>Upside Opportunities</u>	<u>Op Income Impact</u>	<u>Downside Risk</u>	<u>Op Income Impact</u>
<ul style="list-style-type: none"> •Customer Training Initiatives •CSOMP Enhancements •New Customer On-Boarding •Reduced regulatory risk •Security upgrades 		<ul style="list-style-type: none"> •Unforeseen regulatory actions •Natural disasters •OSHA incidences •Security issues <ul style="list-style-type: none"> •Robberies •Burglaries •Associate Safety 	

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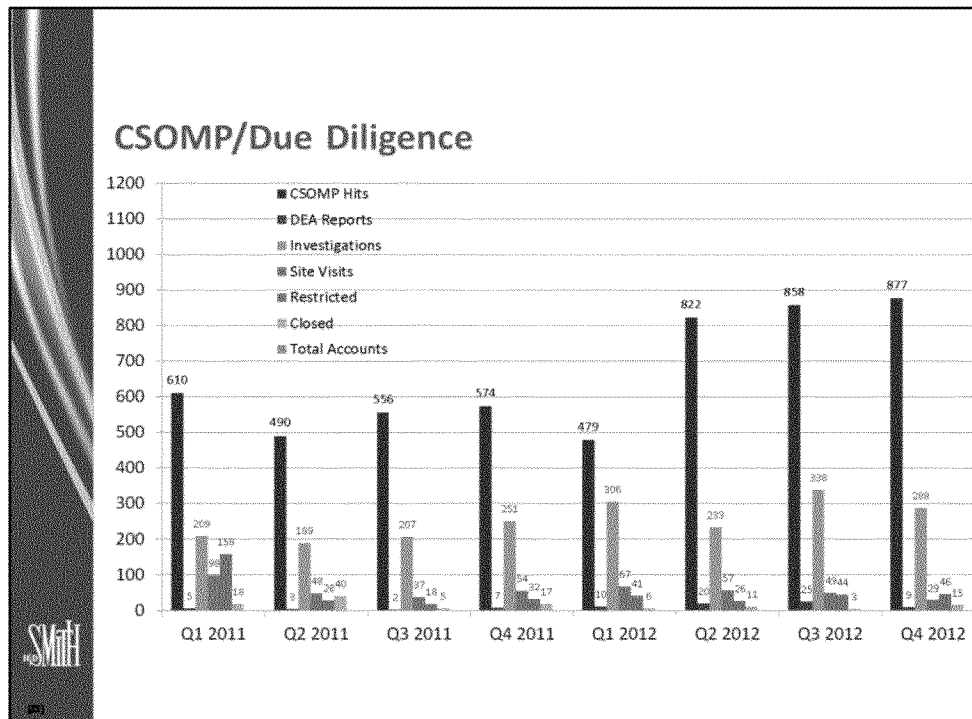
RFIs and Subpoenas Comments

- The number of RFIs and Subpoenas appears to have leveled off and remains fairly steady.
 - Our Compliance Analyst researches and completes approximately 32 of these requests per month. Many are subpoenas from government agencies looking into our customers. This prompts an investigation into the account by our Compliance personnel.

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